

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L MOSCOW 3283

E.O. 11652: GDS

TAGS: ETRD,EFIN,EEWT,US,US

SUBJECT: SOVIETS REQUIRE FINANCING ON RELATIVELY SMALL PURCHASE
FROM US FIRM

USDOC FOR BEWT/TDAD

1. ALTHOUGH EMBASSY HAD BEEN WORKING ON ASSUMPTION THAT SOVIETS
WOULD PAY CASH FOR EQUIPMENT PURCHASES FROM U.S. FIRMS IF VALUE
OF SALE WERE UNDER DOLLARS 10-15 MILLION, RECENT EXPERIENCE OF
INGERSOLL-RAND INDICATES HOW DIFFICULT IT IS TO GENERALIZE ON
SOVIET POLICY IN THIS AREA.

2. ON FEBRUARY 14, INGERSOLL-RAND SIGNED DOLLARS 4 MILLION CONTRACT
WITH MASHINOIMPORT FOR GROUP OF MOBILE COMPRESSOR STATIONS TO BE
USED ON BAM RAILROAD. HOWEVER, IN ORDER COMPLETE DEAL,
INGERSOLL-RAND HAD TO WORK OUT FINANCING PACKAGE ALONG LINES OF
THAT DEVISED LAST YEAR BY GE FOR MAJOR GAS TURBINE SALE.
INGERSOLL-RAND REP ADVISED COMMATT THAT HE GAVE MASHINOIMPORT
TWO PRICES, ONE FOR CASH PAYMENT AND THE OTHER, MUCH HIGHER,
FOR USE OF FIVE-YEAR, 6.5 PERCENT NTES. SOVIETS,SOMEWHAT
SURPRISINGLY, OPTED FOR LATTER. MOREOVER, MASHINOIMPORT HAS
ASKED INGERSOLL-RAND TO DEVELOP A SIMILAR FINANCING PACKAGE FOR
DOLLARS 15 MILLION CONTRACT COVERING TUNNELING EQUIPMENT,
ALSO FOR BAM, WHICH CURRENTLY UNDER NEGOTIATION.

3. IN CONTRAST TO MASHINOIMPORT POSITION, SOVIET FTO
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TRAKTOROEXPORT AGREED PAY CASH FOR 200 CATERPILLAR D-8

CRAWLER TRACTORS (CONTRACT WAS SIGNED IN CHICAGO DURING CONEXPO)
WHICH ARE ALSO FOR BAM PROJECT. SOVIETS (IN THIS CASE
STANKOIMPORT) HAVE ALSO AGREED TO CASH PAYMENT FOR GOULD INC.
ENGINE HALF-BEARING PLANT VALUED TO ABOUT DOLLARS 47 MILLION, CONTRACT

FOR WHICH IS DUE TO BE SIGNED IN COMMERCIAL OFFICE MARCH 12.

4. COMMENT: CONTRADICTORY POSITIONS ADOPTED BY DIFFERENT FTO'S
ON FINANCING QUESTION INDICATE THAT THERE IS NO HARD AND FAST
CENTRAL DIRECTIVE WHICH ALL ARE OBLIGED TO FOLLOW. IT IS SOMEWHAT
SURPRISING, HOWEVER, THAT DIFFERENT POLICIES WOULD BE FOLLOWED
IN CASE OF EQUIPMENT PURCHASED FOR SAME PROJECT, I.E. BAM RAILROAD.
ON BASIS COMMOFF'S INFORMATION TO DATE, TRAKTOROEXPORT APPEARS
PREPARED PAY CASH FOR CRAWLER TRACTORS AND OTHER ITEMS OF
CONSTRUCTION EQUIPMENT PURCHASED FOR BAM WHILE MASHINOIMPORT
IS REQUIRING FINANCING THROUGH PROMISSORY NOTE DEVICE.
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